

Message Text

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PAGE 01 STATE 037155
ORIGIN AGRE-00

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OMB-01 PM-04 NSC-05 SS-15 AID-05 /067 R

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FM SECSTATE WASHDC
TO USLO PEKING
INFO AMCONSUL HONG KONG

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E.O. 11652:

TAGS: EAGR, CH, US

SUBJECT: WORLD GRAIN SITUATION

APPRECIATED YOUR TIMELY REPORTS ON RECENT PRC WHEAT
PURCHASES.

RECENT PRC WHEAT PURCHASES WERE SURPRISING TO TRADE, AND
HAVE HAD SIGNIFICANT IMPACT ON OTHERWISE DULL MARKET AND
WEAK PRICES. ALTHOUGH SKEPTICAL OF PRC 1976 HARVEST CLAIMS,
ANALYSTS HERE THOUGHT THAT ENOUGH WHEAT HAD ALREADY BEEN
LINED UP LATE IN 1976 TO COVER PRC NEEDS IN FIRST HALF OF
1977. OBVIOUSLY SITUATION HAS CHANGED. SOURCES HERE NOW
EXPECT BOTH (A) MORE SALES TO BE ANNOUNCED AND (B) STEP-UP
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PAGE 02 STATE 037155

OF SHIPMENTS UNDER PREVIOUS CONTRACTS. TRADE SOURCES IN
CANADA NOW BELIEVE ALL OF CANADA'S RECENT SALES TO PRC
(TOTAL 2.25 MMT) WILL BE SHIPPED BY JULY OR EARLY AUGUST.

FAS CURRENTLY CARRYING PRC 1975 WHEAT OUTTURN AT 38.7
MILLION TONS AND 1976 AT 39.0 MILLION TONS, BUT THESE MAY
BE REVISED UPWARD TO 45.0 AND 50.0 MILLION TONS FOR 1975

AND 1976 RESPECTIVELY IN LIGHT OF RECENT CHINESE STATEMENTS TO JAPANESE AND ARGEOWINE OFFICIALS. FAS/W CURRENTLY ESTIMATES 1976/77 WHEAT IMPORTS AT 3.5 MILLION TONS, BUT COULD GO HIGHER DEPENDING ON ACTUAL DELIVERIES OF PURCHASES THUS FAR AND POSSIBLE NEW PURCHASES.

FYI APPROXIMATE PRICES PER METRIC TON, FOB PACIFIC NORTH-WEST (MARCH DELIVERY):

JANUARY 25 FEBRUARY 3 FEBRUARY 11

NO. 1 CWRS (13.5)	\$130	\$131	\$132
(11.5)	\$118	\$119	\$121
U.S. NO. 2 DNS (14)	\$129	\$129	\$130
U.S. NO. 2 HRW (11)	\$111	\$113	\$112

LATEST GRAIN CIRCULAR FG 1-YY RELEASED 1 FEBRUARY. SOME SIGNIFICANT CHANGES SINCE LAST CIRCULAR INCLUDED BELOW:

WHEAT PRODUCTION JUL-JUN JUL-JUN CONSUMP STOCKS
EXPORTS IMPORTS

W. EUROPE	50.6	4.9	5.3	--	(-0.7)
EC-9	39.5	3.6	4.2	--	(-0.6)
AUSTRALIA	11.6	7.8	--	--	--
ARGENTINA	11.0	4.8	--	--	--
U.S.	58.4	26.3	--	20.2	29.8
USSR	96.9	1.0	5.5	87.9	(13)
WORLD	406.8	58.6	--	366.5	103.5

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PAGE 03 STATE 037155

COARSE GRAINS

W. EUROPE	73.0	1.3	36.8	--	(-0.3)
EC-9	51.3	0.6	27.3	--	(-0.2)
AUSTRALIA	5.1	3.1	--	--	--
ARGENTINA	14.9	6.4	--	--	--
U.S.	193.1	51.0	--	137.7	24.8
USSR	113.3	3.0	--	110.3	(7)
WORLD	686.9	78.7	--	670.4	64.4

U.S. WHEAT SHIPMENTS FOR PAST TWO MONTHS HAVE OCCURRED AT AN ANNUAL RATE OF ONLY 600 MIL BU., (CURRENT ESTIMATE 975 MIL BU.). RECENT WORLD-WIDE TRANSACTIONS SHOW (A) ARGENTINE WHEAT CONTINUING VERY COMPETITIVE, AND (B) MOST BUSINESS IS STILL FOR VERY NEARBY DELIVERY.

ICE ACCUMULATION BROUGHT GRAIN MOVEMENT TO A HALT ALONG THE MISSISSIPPI, ILLINOIS, AND OHIO RIVERS NORTH OF ST. LOUIS,

DURING LAST TWO WEEKS. RAIL GRAIN CONTINUES TO
MOVE BUT IS INSUFFICIENT TO KEEP THE LOADING OF VESSELS
ON SCHEDULE.

SRS REPORT OF 21 JANUARY ON EXPECTED 1977 PLANTED ACREAGE
AND CHANGE FROM ACTUAL ACREAGE IN 1976 SHOWS: (A) 84.5 MLN
ACRES OF CORN - UP ONE HALF AND ONE PERCENT, (B) 17.1
MLN ACRES OF SORGHUM DOWN 8 PERCENT (C) 10.7 MLN ACRES
OF BARLEY - UP 15 PERCENT (D) 16 MLN ACRES OF SPRING WHEAT
DOWN 10 PERCENT (E) 2.9 MLN ACRES OF DURUM - DOWN 39 PER-
CENT. REFLECTS FACT THAT DURUM STOCKS ON JANUARY 1, 1977
AMOUNTED TO 117 MLN BU., 36 PERCENT GREATER THAN LAST YEAR
AND 65 PERCENT MORE THAN TWO WEEKS AGO.

LOW SOIL MOISTURE CONDITION IN THE CANADIAN PRAIRIES AND
THROUGHOUT LARGE SECTIONS OF THE U.S. GRAIN BELT HAVE
CAUSED CONCERN ABOUT BOTH WINTER AND SPRING PLANTED GRAINS.
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PAGE 04 STATE 037155

EARLY PROSPECTS FOR 1977 WORLD GRAIN CROPS ARE MIXED. IN
USSR SOIL MOISTURE CONDITIONS BELIEVED FAVORABLE TO WINTER
GRAINS. DIFFICULTIES AT PLANTING TIME, CAUSED REDUCTIONS
IN WINTER GRAIN AREAS IN U.K., ITALY, AND PORTUGAL. WINTER
GRAINS IN FRANCE AND W. GERMANY GENERALLY IN GOOD CONDI-
TION. LACK OF SUFFICIENT RAINFALL IN INDIA SINCE MID-SEP-
TEMBER POINTS TO REDUCTION IN SPRING HARVESTED GRAINS FROM
1976 LEVELS.

FYI RECENT INDONESIAN REPORT INDICATES PRC OFFERED 200,000
MT RICE FOR JAN-JUNE DELIVERY AT 4,200 PER MT.

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